

# Ahead of the curve

## Market Update

### Global de-risking amid recession fears

Both equities and crypto markets have been hit with heavy selloffs as concerns of a fragile global economy heighten. BTC reached new yearly lows of \$76,555 and saw a weekly return of -5%. ETH continues to outperform to the downside, as ETHBTC hit lows not seen since December 2020 with ETH tumbling below \$2,000. Increased recession fears, Trump's commitment to lowering 10-year bond yields, and the first swings of a bubbling trade war have pushed both the S&P 500 and Nasdaq to lows not seen since mid-September.

### CME yields continue downtrend, offshore trader activity sees a small spike

CME de-risking remains the theme as premiums continue their downtrend. VolatilityShares' BITX saw its CME exposure hit lows not met since October 1. Yields falling below 5% can partially be explained by these considerable outflows.

Meanwhile, perp traders increased open interest by 15,000 BTC over the past six trading days while funding rates briefly returned to neutral territory during Sunday's selloff. Open interest has fallen slightly since, along with softening yields, but remains elevated compared to the March 5 low. Overall, open interest remains at healthy lows consistent with early September levels after significant deleveraging over the past few weeks.

### The Strategic Bitcoin Reserve is a big deal

A U.S. Bitcoin reserve will soon be established using seized BTC, along with a digital asset stockpile of seized altcoins. While the U.S. will not grow its stockpile of alts, budget-neutral strategies to acquire more BTC are being considered. BTC held by identifiable victims of crimes will be returned to victims, meaning the reserve will hold ~103,500 BTC at its launch, as 94,636 BTC seized from the Bitfinex hackers is expected to be returned to Bitfinex.

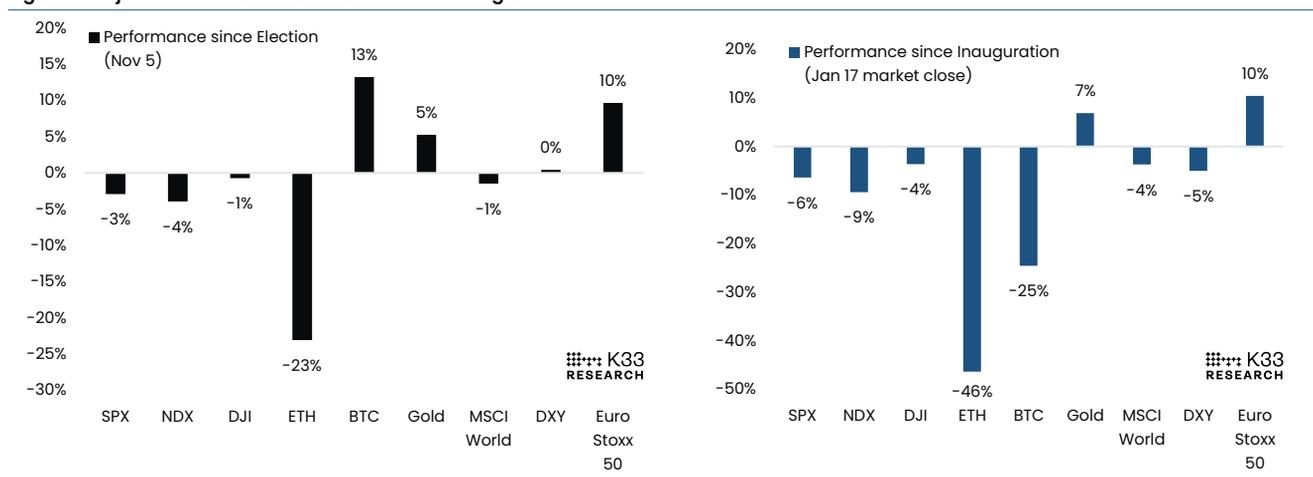
Details on potential BTC acquisition strategies are expected from Treasury Secretary Scott Bessent by May 5. In our view, heavy de-risking across markets has distracted traders from how fundamentally bullish these developments are - the world's largest economy will cease its selling of seized BTC, and is exploring strategies to potentially acquire more. This is huge progress in legitimizing BTC as a global store of value and current prices already represent solid opportunities for long-term buys.

### Strategy puts the pedal to the metal

Strategy is now set for a massive equity offering of \$21bn to buy more BTC after announcing a \$21bn ATM offering in its perpetual strike preferred stock STRK. Shares in STRK offer a perpetual annual dividend of 8%. If fully utilized, Strategy faces \$1.68bn in preferred dividend payments annually. Dilution may occur if STRK shares convert to common stock or if MSTR is forced to dilute common stock to fund dividend obligations.

Strategy is primarily a leveraged bet on BTC price, but further dilution could erode MSTR's premium over its BTC holdings, making direct BTC/ETF ownership more attractive. We also note that each leveraged move increases MSTR's long-term risk profile. If BTC underperforms or if MSTR's capacity to roll debt tightens, the company could eventually face pressure to either dilute aggressively or liquidate assets. However, with flexible debt structures and long maturities, these risks appears low for now.

Figure 1: Major Asset Returns: Since Election vs. Inauguration



Source: Tradingview

## Digital Assets

### Signals from the market

**Vetle Lunde**  
Head of Research  
vetle@k33.com  
+47 416 07 190

**David Zimmerman**  
Senior Analyst  
david@k33.com

## By the numbers

**BTCUSD** \$81,628  
7d: **-5%**  
30d: **-16%**

**ETHUSD** \$1,904  
7d: **-11%**  
30d: **-29%**

**Open Interest (BTC futures and perps)**  
\$37.1bn  
458,000 BTC (2.1% last seven days)

**Average daily BTC spot volume**  
\$6.1bn (-30% last seven days)

**BTC 90-d correlations** (weekly change included)

ETH	Gold	S&P 500	DXY
0.72 (0.02)	0.00 (0.02)	0.42 (0.05)	0.01 (-0.03)

**Percentage of Total Market Capitalization**  
Weekly change in percentage points

BTC	ETH	Stablecoins	Rest
60.9% (0.6%)	8.7% (-0.4%)	7.6% (0.3%)	22.8% (-0.5%)

### Last week of top 50 by market cap

	Ticker	7d	YTD
<b>Gainners</b>			
1	BCH	10%	-23%
2	ENA	14%	-56%
3	APT	1%	-38%
<b>Losers</b>			
1	HBAR	-19%	-35%
2	DOGE	-18%	-50%
3	TON	-15%	-54%

# Spot Market

## A watershed moment "ruined" by returning recession fears

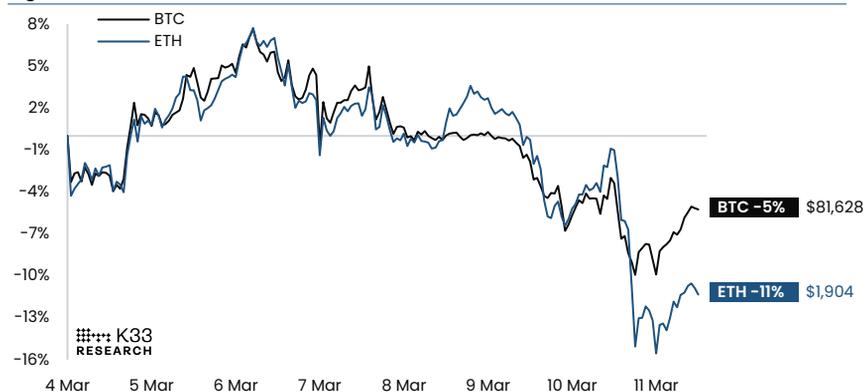
Relentless selling and de-risking continued ravaging crypto and U.S. equities throughout the past week. On Tuesday morning, BTC hit new yearly lows of \$76,555, seeing weekly returns of -5%. The weakness in ETH has been even more eye-catching, with ETHBTC reaching lows not seen since December 2020, while ETHUSD has fallen below \$2,000 for the first time since November 2023.

Crypto is far from alone in facing excessive selling pressure over recent weeks. In a recent interview, Trump seemed indifferent about a recession risk, as the administration seems determined to lower U.S. 10-year yields to help the U.S. government manage its refinancing needs. This, on top of the ongoing back and forth with tariffs and an overwhelmingly frantic news cycle, has pushed both the S&P 500 and Nasdaq to lows not seen since mid-September. Compared to U.S. equities, BTC has performed solidly since the U.S. election. BTC has seen gains of 13% since the close of November 4, compared to negative Nasdaq and S&P returns.

While many Trump measures have contributed to spooking the market into heavy de-risking, Trump has delivered on his crypto promises by first establishing a crypto working group and then launching a U.S. BTC reserve last week. This justifies BTC's relative outperformance vs. equity indices since the election.

We fundamentally disagree with pundits attributing the recent sell-off to an underwhelming U.S. reserve. This reserve is a watershed moment for Bitcoin. The U.S. government has committed to hold seized assets and even explore paths to acquire more BTC in the market. This is a huge leap forward in legitimizing BTC as a global store of value and is a massive disconnect from its recent performance driven by other market forces. While global market uncertainties may need time to be resolved, we perceive current price levels and the period ahead as a solid opportunity to buy and hold BTC long-term.

Figure 2: Performance BTC and ETH, Last Two Weeks

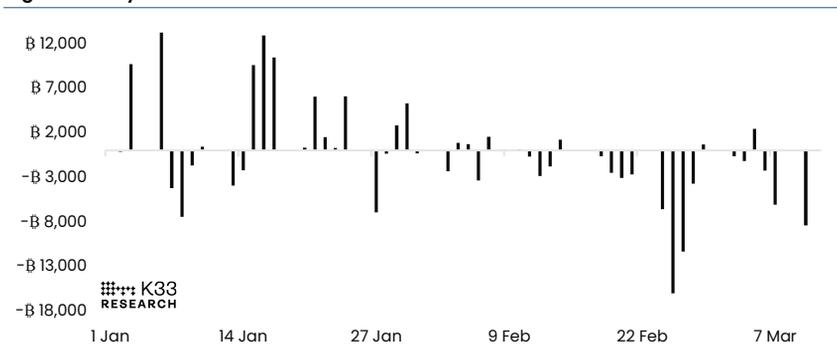


Source: Tradingview, (Coinbase, Binance)

## The aggressive ETF sell-off continues

ETP holders reduced exposure further over the past week, with net outflows on four out of the past five trading days. In sum, the past week has seen a net weekly outflow of 15,500 BTC amidst continued selling from ETP holders. Consistent and significant ETF outflows have pushed YTD flows in U.S. BTC ETFs to negative levels, contributing to the steep sell-off seen in BTC over the past weeks.

Figure 3: Daily Global Net BTC ETP Flows



Source: K33 Research

## Headlines last week

[President Trump signs order to establish Strategic Bitcoin Reserve, will hold as store of value akin to Fort Knox](#)

[At crypto summit, Trump vows to sign stablecoin legislation before August and end crypto debanking](#)

[Top US banking regulator rescinds previous digital asset restrictions amid Trump's push to end crypto debanking](#)

[Utah scraps bitcoin reserve provision before advancing state's crypto bill](#)

[Strategy seeks to raise up to \\$21 billion via STRK perpetual preferred stock to buy bitcoin](#)

[Acting SEC Chair Mark Uyeda says agency may abandon Regulation ATS proposed rule that loops in crypto exchanges](#)

## Calendar

- Tuesday, March 11
  - U.S. JOLTS Job Openings (Exp: 7.65m)
- Wednesday, March 12
  - U.S. CPI (Exp: 0.3% MoM)
- Thursday, March 13
  - U.S. PPI (Exp: 0.3% MoM)
- Monday, March 17
  - CME Solana Futures Launch
- Wednesday, March 19
  - FOMC, U.S. Interest Rate Decision (Exp: Unchanged)

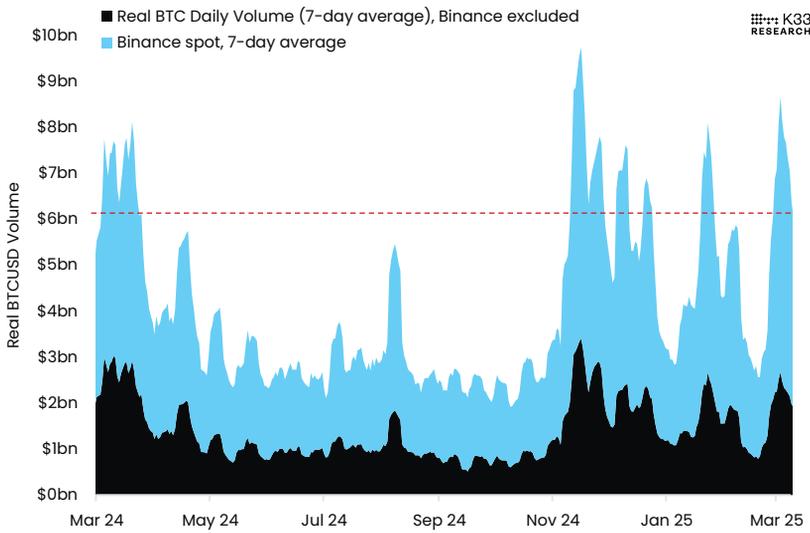
# Spot Market

### Volumes remain elevated

Activity remained high throughout a week packed with headlines and considerable volatility, with average daily volumes sitting at \$6.1bn, down 31% from last week's massive spike.

Friday's White House crypto summit saw the most significant daily activity burst, with daily BTC spot volumes hitting \$9.4bn.

**Figure 4: Real BTCUSD Daily Volume\* (7-day average)**



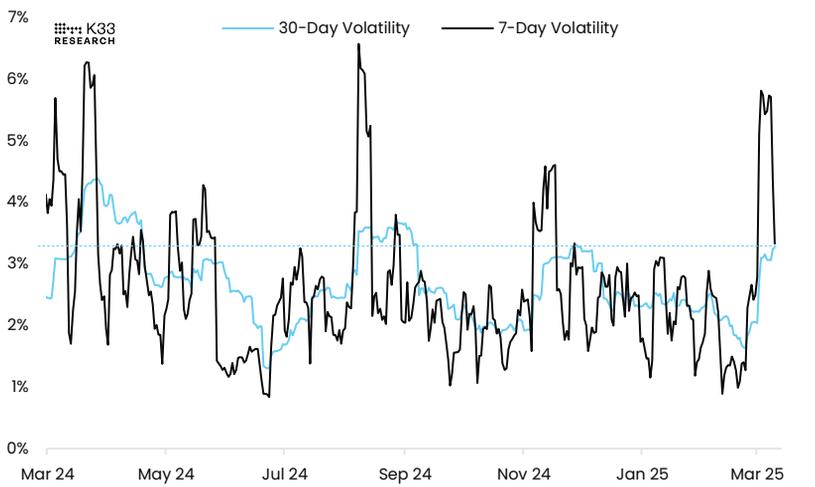
Source: Tradingview, Bitcoinity \*Includes Bitwise 10 exchanges

### Volatility returns

7-day volatility has declined from last week's spike but remains at levels not seen throughout January and February. BTC has faced multiple days of significant negative returns amid the U.S. equity sell-off over the past few trading sessions. Continued volatility has pushed 30-day volatility to highs not seen since late November.

The Fear and Greed index has hovered between fear and extreme fear for two weeks amidst a considerable weakening of momentum and accelerating de-risking in the market.

**Figure 5: BTC-USD Volatility**



Source: Tradingview (Coinbase)

### Fear and Greed

Now: 24 (Extreme Fear)  
Last week: 15 (Extreme Fear)  
Last month: 47 (Neutral)

# Derivatives

## CME, Futures and ETFs

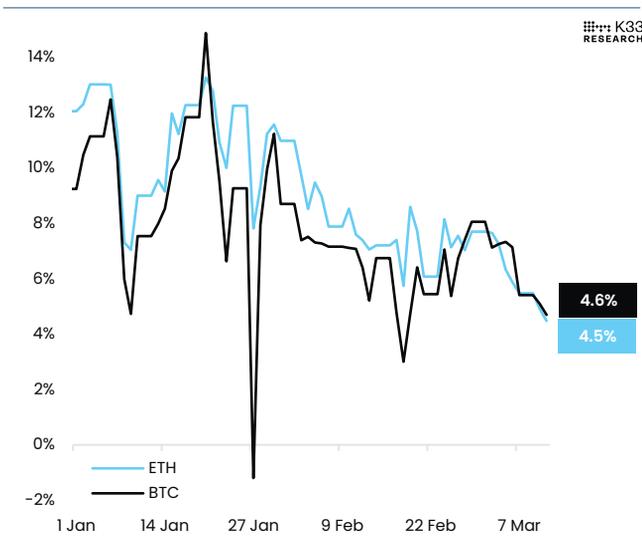
The past week has seen continued signals of de-risking consistent with the observed behavior since the inauguration.

Yields on CME's crypto futures remain soft, with the average annualized futures premium for both BTC and ETH currently below 5%. Premiums have faced a consistently declining trend over the past week, also evident in farther-dated expiries, with next-month premiums declining toward 0.6% as of yesterday's close. Overall, this is telling of traders refraining from adding long exposure amid the ongoing U.S. equity market headwinds.

VolatilityShares' BITX faced yet another week of significant outflows, reducing its CME exposure to lows not seen since October 1. Outflows from the 2x leveraged vehicle were massive on March 10, with the fund seeing net daily outflows equivalent to 4,955 BTC, reducing its BTC equivalent exposure by 9.2% compared to the March 7 close. These considerable outflows have likely played a material role in pressuring yields south of 5% in BTC.

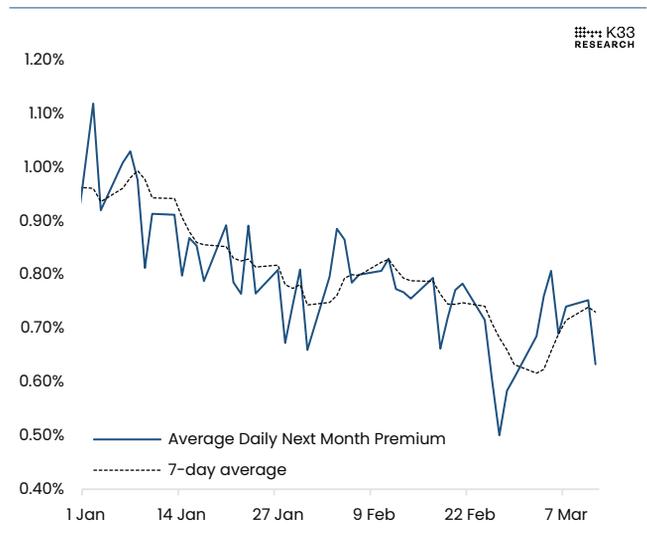
Active market participants offset the significant BITX outflow effect, increasing exposure by 3,760 BTC on March 10, leading to a stable OI. Nevertheless, soft yields largely suggest that this minor exposure spike was led by conservative positioning.

**Figure 6: "No demand" for long exposure**  
CME BTC and ETH Futures Annualized Rolling 1mth Basis



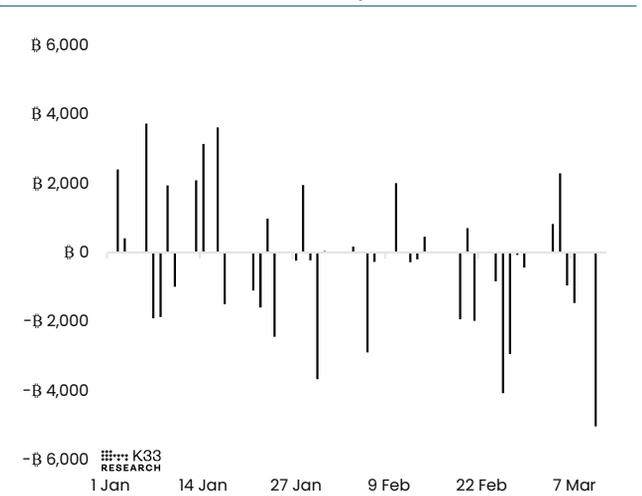
Source: Tradingview

**Figure 7: Low next month premium**  
CME BTC Futures: Average Daily Next Month Premium



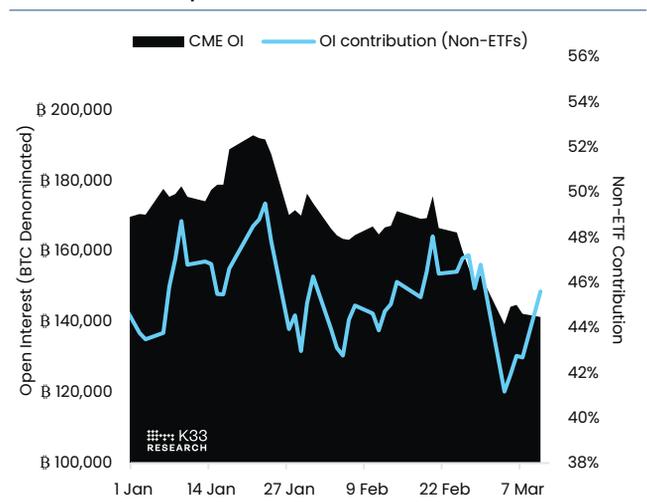
Source: Tradingview

**Figure 8: New massive VolatilityShares outflow**  
Futures-based ETFs: Net Flow – BTC Equivalent



Source: ProShares, Valkyrie, VanEck, Bitwise, CSOP, Samsung, VolatilityShares

**Figure 9: CME OI stagnates at 7-month lows**  
CME BTC Futures: Open Interest



Source: CME, ProShares, Valkyrie, VanEck, Bitwise, CSOP, Samsung, VolatilityShares

# Derivatives

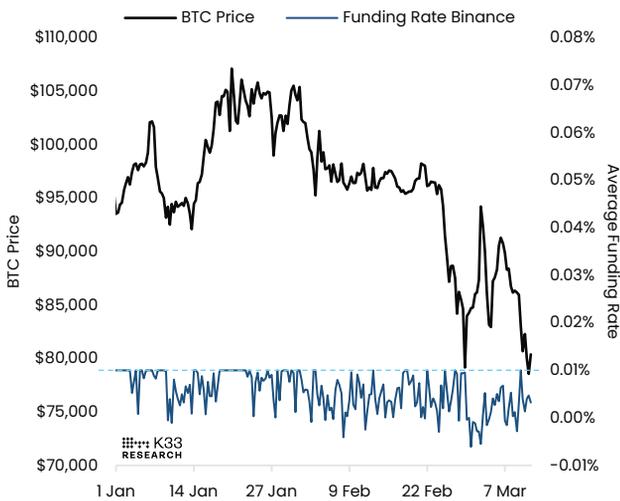
## Perpetual Swaps and Options

### Perpetual swaps

Open interest in perps reached lows not seen since August 13 of 241,000 BTC on March 5, but has increased by 15,000 BTC over the past six trading days. Leverage in perps saw its greatest expansion amidst the Sunday evening sell-off, with funding rates briefly returning to neutral territory.

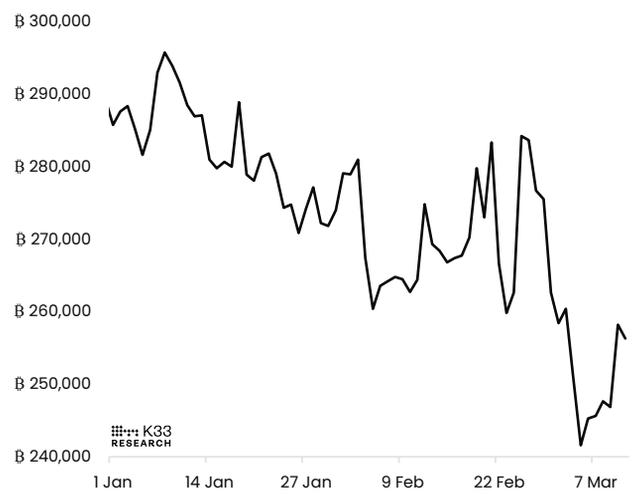
This indicates traders attempting a knife-catching strategy of buying the sell-off with leveraged longs. Open interest has since seen a slight decline amidst softening yields but remains elevated compared to the March 5 low. This suggests a moderately enhanced risk of liquidation spirals ahead. Nonetheless, apart from the near-term microstructure, OI remains at healthy lows consistent with early September levels after significant deleveraging over the past few weeks.

**Figure 10: Knife-catching?**  
Bitcoin Perpetuals: Funding Rates vs BTC Price



Source: Binance, Laevidas

**Figure 11: Open interest "recovering"**  
Bitcoin Perpetuals: Open Interest

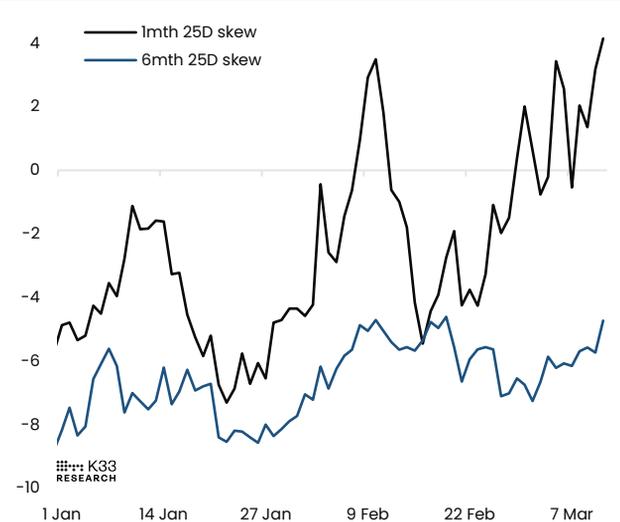


Source: Laevidas

### Options

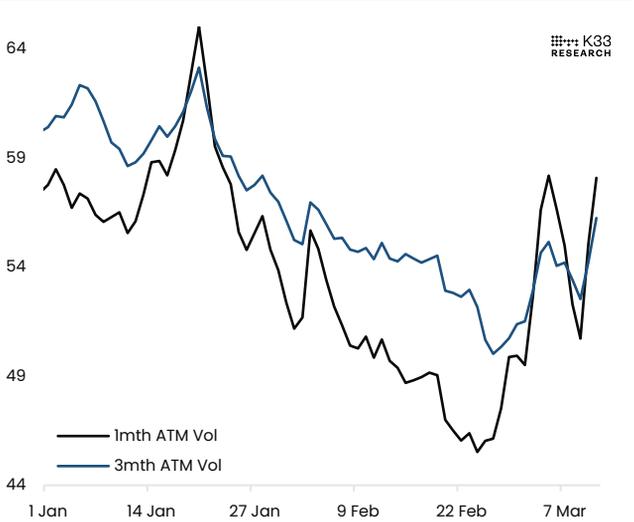
Demand for protection is soaring, evident by 1mth skews reaching highs not seen since September. Put activity is unusually high in broad financial markets, as a wide defensive and cautious sentiment has erupted amidst spiking recession fears.

**Figure 12: Put demand soaring: 1mth skews at September highs**  
BTC Options - 25D Skew (1mth + 6mth)



Source: Laevidas

**Figure 13: Volatile IVs**  
BTC Options - Implied Volatility



Source: Laevidas

# A deeper dive

## The Bitcoin Reserve is not a nothing burger

On March 6, Trump signed an executive order announcing the launch of a U.S. strategic BTC reserve. Per the executive order, the U.S. will stockpile the currently seized digital assets and evaluate budget neutral means of buying more BTC for its Strategic Bitcoin Reserve.

Scott Bessent, the Secretary of the Treasury, will establish offices to oversee the BTC reserve and digital asset stockpile. Within 30 days of the order (April 5), agencies will have to evaluate whether they have the legal authority to transfer the digital assets to the reserve. Once assessed, funds will be transferred to custodial accounts managed by the new offices.

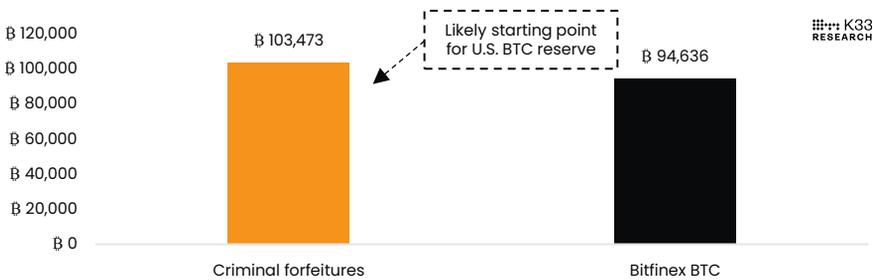
The executive order opens the door for the U.S. to acquire BTC but no other digital assets through budget-neutral means. In a CNBC interview, Bessent remarked that the U.S. had previously not had any plan for seized digital assets and that a precursor to accumulating BTC is to stop selling the assets by constructing a seized asset pool. The second step is establishing a budget neutral acquisition strategy that does not impose incremental costs on U.S. taxpayers.

Information on budget neutral acquisition measures has been vague. It's reasonable to expect some clarity on this by May 5, as the Secretary of the Treasury will deliver an evaluation of legal and investment considerations for the reserve within 60 days of the executive order. Potential budget neutral avenues to acquire BTC may stem from exchange stabilization fund surpluses, selling special drawing rights issued by the IMF, or a gold certificate revaluation.

The official price of current U.S. gold holdings is set at \$42.22 per ounce, while the current market price of gold sits at \$2,900. By revaluing gold holdings, hundreds of billions of dollars could be generated on paper. Such revaluations will require legislative changes, in other words, congressional approval. If revalued, the treasury may issue gold-backed certificates to the Fed in exchange for \$750bn in new spending capacity – potentially directed towards BTC acquisitions.

In our opinion, there is a serious disconnect between the market and the news as BTC's performance is currently crippled by broad and global de-risking as traders digest erupting uncertainties post-Trump. The most influential global superpower has just flagged an end to seized BTC sales; neither current nor future seized assets will be sold. Further, it's exploring strategies to acquire more. This could set an example for other nations while marking a new era for BTC. Thus, we believe the current environment is favorable for accumulating long-term exposure as short-term uncertainties materialize and get fully digested in the market.

Figure 14: Estimated status of current U.S. BTC Reserves



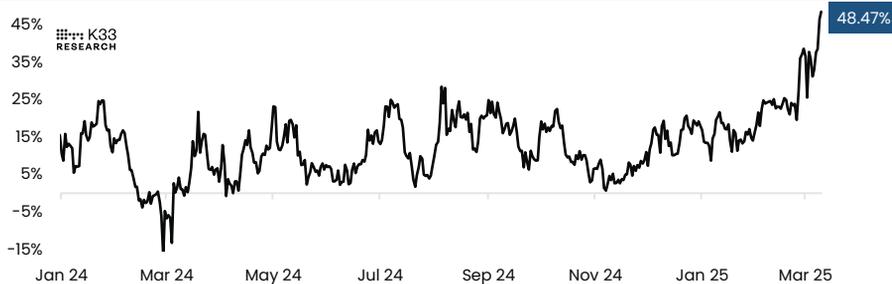
Source: Arkham, DOJ

### Some funds will be returned

Per the executive order, assets held by identifiable victims of crime should be returned to the victims. This U.S. BTC reserve is expected to hold approximately 103,500 BTC at its launch, as 94,636 BTC seized from the Bitfinex hackers is expected to be returned to Bitfinex shortly.

Bitfinex intends to use 80% of these proceedings to buy and burn LEO over 18 months. In the last few weeks, the market has clearly positioned for funds to be returned, with LEO premiums relative to the value of seized BTC (94,636\*80%) climbing to highs not seen since 2023.

Figure 15: LEO market cap premium relative to market value of 75,708 BTC (80% of seized funds)



Source: K33 Research

# A deeper dive

## Financial alchemy

Strategy is back at it again with a new gargantuan equity offering of \$21bn to buy even more BTC after announcing a \$21bn ATM offering in its perpetual strike preferred stock STRK. Shares in STRK offer a perpetual annual dividend of 8%. If the full ATM is tapped, the company will need to pay \$1.68bn in preferred dividends annually, which could prove to be very dilutive for current shareholders.

Potential dilution will occur if STRK shares convert to common stock or if MSTR is forced to dilute common stock to fund dividend obligations. Aligned with the rest of the company's strategy, the success of this plan lingers on BTC price appreciation, which in turn should be reflected in appreciation in MSTR's share price given their massive BTC treasury. In such a scenario, STRK holders may convert to common stock, diluting the value of existing shares.

Owning common stock of MSTR is essentially an aggressive leveraged bet on BTC price appreciation and a bet on sustained premiums to its BTC treasuries. The enterprise value of MSTR still sits 64% above the value of its BTC treasuries. More dilutive efforts may lower these premiums, impacting the appeal of holding MSTR rather than spot BTC directly or BTC ETFs.

**Figure 16: MSTR premium relative to BTC treasuries**



Source: Tradingview

### No reason for imminent structural spook in BTC

While there's no immediate structural risk to BTC, MSTR's aggressive leverage strategy introduces a long-term risk. If BTC underperforms or if MSTR's capacity to roll debt tightens, the company could eventually face pressure to either dilute aggressively or liquidate assets. However, with flexible debt structures and long maturities, any such scenario appears distant for now.

Still, each leveraged move increases MSTR's long-term risk profile. While market concerns about MSTR liquidations tend to surface during BTC downturns, such risks are not imminent. MSTR has withstood severe market stress in the past and appears capable of doing so again—though with reduced capacity for further BTC accumulation.

MSTR's \$8.25bn in outstanding debt remains manageable relative to its \$40bn BTC treasury, with convertibles maturing between 2027 and 2032. The risk of forced liquidation is negligible for now but could escalate if market conditions tighten.

**Figure 17: MSTR Current Convertible Notes**

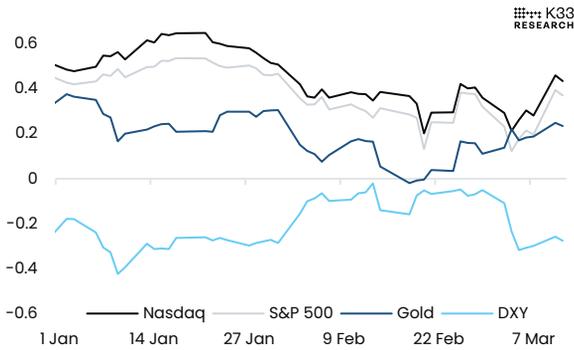
	Amount Raised (\$m)	Coupon	Issue Date	Maturity
Convert 2024	1,010	0.625%	9/20/2024	9/15/2028
Convert 2029	3000	0.000%	11/22/2024	12/2/2029
Convert 2030B	2000	0.000%	2/22/2025	3/2/2030
Convert 2030A	800	0.625%	3/9/2024	3/16/2030
Convert 2031	604	0.875%	3/19/2024	3/1/2031
Convert 2032	800	2.250%	6/18/2024	6/1/2032
<b>Aggregate</b>	<b>8,214</b>	<b>0.42%</b>		<b>5.1 years</b>

Source: Strategy

# Market Related Charts

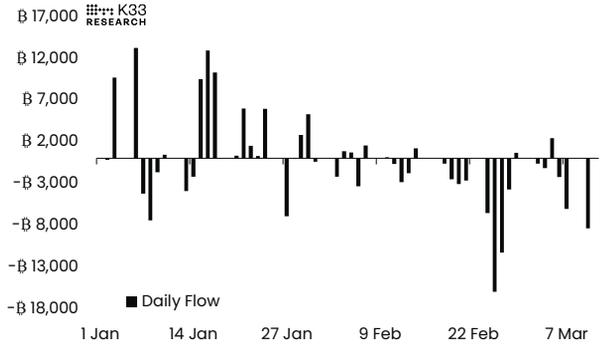
Data updated Tuesday, March 11, 2025

**Figure 19: BTC 30-d correlations\***



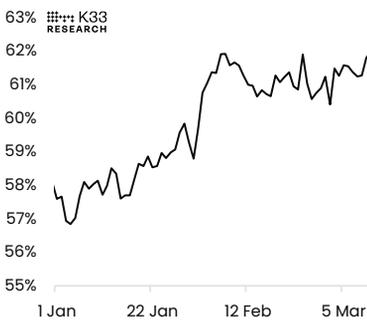
Source: Tradingview \*Pearson

**Figure 20: Daily Flows (BTC ETFs)**



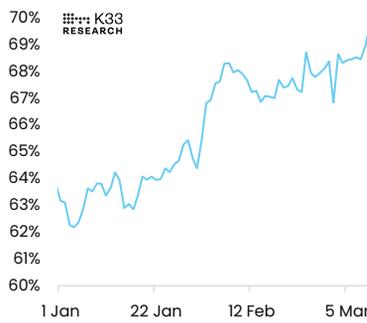
Source: K33 Research

**Figure 21: BTC Dominance**



Source: Tradingview

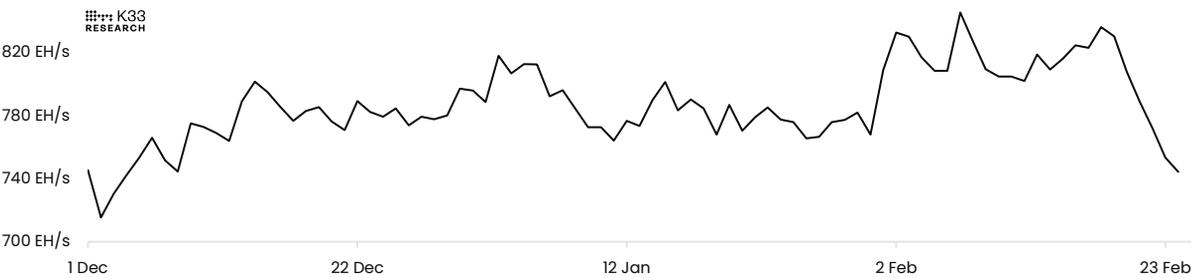
**Figure 22: BTC + Stables Dominance**



**Figure 23: BTC + Stables + ETH Dominance**

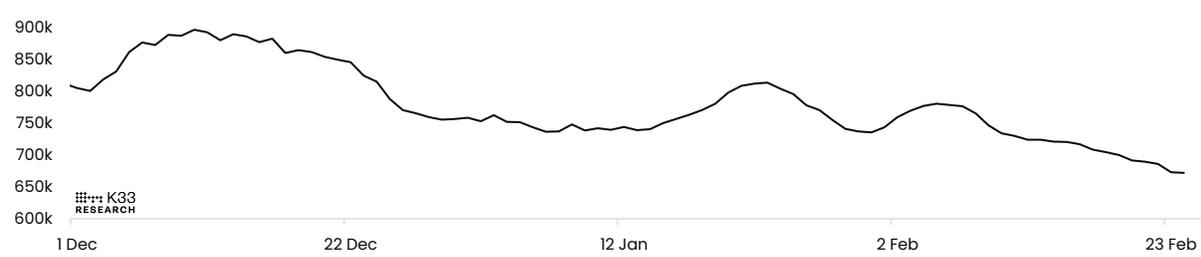


**Figure 24: Bitcoin Hashrate (7-day average)**



Source: Coinmetrics

**Figure 25: Active Addresses (7-day average)**



Source: Coinmetrics

# Why we choose the charts we do

## Heavy Bitcoin focus

The crypto market is heavily correlated. Movements in BTC tend to be reflected by sharper moves in altcoins. In many ways, BTC is the lower beta exposure alternative to crypto and the definite market leader. However, don't worry – whenever we find a topic, a coin, or some tendencies worth drilling deeper into – we will. This report will get you the most important information from the crypto market.

## Market by the numbers

We highlight the most critical market data by numbers in this table. A glance at these data should be sufficient to assess the state of the market superficially.

Open interest is an essential underlying market driver. Crypto tends to be very volatile, and leverage exacerbates volatility. We have had frequent massive liquidation cascades throughout the last years, mostly towards the downside, but we've periodically seen short squeezes emerge. During the March 12th collapse in 2020, cascading liquidations were the root cause of the absolute carnage in the market. You should always pay close attention to open interest if you aim to be an active participant in the market. Our derivatives pages will contribute to delivering you a directional assessment of the data.

The spot volume is an efficient way to gain an overview of the general activity in the market.

Correlations have been growingly important in the last year due to the complicated macro picture post-COVID. It's important to be aware of BTC's, for now, close relationship with U.S. equities and its inverse relationship with the dollar strength index (DXY). However, the current correlation regime is unlikely to be as strong as today forever. Through awareness of correlation trends, you may be able to execute trading strategies before the market catches up to correlations breaking.

The simplified market cap distribution box allows you to assess the general risk sentiment in the market quickly. In general, the "Rest" category may be used as a proxy for risk aversion in the market. Currently, BTC, ETH, and stablecoins represent nearly 75% of the crypto market, which is telling for a risk-averse crypto market.

The two charts on the first page illustrate the two most interesting topics covered in our market analysis. A more thorough examination of these charts is found in the last section of the report, where we dive deeper into two topics that currently seem to drive the market.

# Spot Primer

## Top 3 coins

We explore the last week's performance of the top 3 cryptocurrencies to assess deviations and opportunities within the safer bracket of digital assets. Currently, BTC, ETH, and BNB represent the three largest. Both ETH and BNB have a thriving DeFi user base and unique drivers of price and demand, which could generate temporary or long-term correlations within crypto to decline as trading opportunities arise or spread trade opportunities.

## Indexes

We use the Bletchley Indexes to gauge and assess market activity across BTC and altcoins grouped by market cap size. Documentation for the index weights may be found at through [this link](#).

## Volume

The BTC spot volume is an efficient way to communicate the general activity in the market. It may help you identify frantic market bottoms or peaks. Our volume data is based on Bitwise's 10. In 2019, Bitwise explored wash-trading and market manipulation in the spot market, leading to this index. In general, our volume assessment likely underestimates the volume to some degree, as legitimate volumes in other exchanges are excluded. However, the volume estimate is a good proxy for general activity in the market.

We differentiate Binance's volume from the remainder of the exchanges due to Binance's removal of trading fees this summer. We believe a substantial amount of the recent trading volume on Binance is related to "inorganic" trades, i.e., high-volume trading strategies that were not economically feasible prior to fees being removed. Of course, removing fees has likely also contributed to moving traders from alternative exchanges over to Binance.

## Volatility

Volatility is a topic well worth paying attention to. In specific periods, such as the current – where BTC trails in a shallow volatility regime, new trading opportunities emerge related to options and straddles. This chart is handy to pay close attention to, as it may help you enhance your ability to act on opportunities in the market when activity is low and options are becoming cheap.

# Derivatives primer

## Why should you care about derivatives flows?

The crypto market is periodically extremely volatile, and activity in derivatives enhances the market reactions. Crypto derivatives are at the cutting edge of financial innovation, the offshore market is periodically wild, and animal spirits tend to take over. Derivatives more or less always carry a clue of overheating in the market or full-on depression. It's highly actionable and worthwhile understanding if you aim to be an active crypto market participant.

The market is also clearly divided. There are two branches worth monitoring – institutional and offshore. Both components periodically lead the market, and assessing sentiment and general risk aversion in these two provides you the tools to understand dangers or opportunities on the horizon.

## CME – The importance of a cash-based futures market in BTC

Institutional traders strongly impact BTCs price discovery, as identified both by [Bitwise](#) and by [us](#). However, many institutional traders have limitations regarding access to crypto markets or even related to holding BTC. CME provides the most accessible, most efficient access to crypto markets for those traders. CME also has the added caveat of a familiar clearinghouse structure, leading to fewer barriers to entry for crypto exposure for institutional traders.

We assess institutional sentiment by monitoring the futures basis and contract spreads between the front month (upcoming expiry) and the near month (next expiry). In general, a positive and high futures basis on CME indicates a positive sentiment, whereas a negative basis indicates the opposite. We include Binance's basis to compare offshore and CME premiums to highlight different sentiments between institutional traders and retail. While Binance have institutional traders, they also enable easy access to derivatives for retail, which may provide useful information ahead of periods of distress.

We monitor aggregated ProShares flows, meaning inflows and outflows to both ProShares' long BTC ETF (BITO) and short BTC ETF (BITI) on the CME page. In the chart, inflows to BITI will be calculated as a negative flow impact, while inflows to BITO will be calculated as a positive flow impact. The opposite is true for outflows from the ETFs mentioned above. ProShares are by far the largest U.S. BTC ETF provider, holding a substantial amount of BTC contracts on CME. Retail and institutions have access to BITO and BITI. Periods of strong aggregated flows to BITO may substantially impact CME's basis. An interesting scenario that has yet to emerge would be one scenario with neutral flows but a rising CME basis. In this scenario, one can assume that certain institutional players actively add long BTC exposure.

We further monitor CME's open interest and the contribution of ETFs to the open interest to assess the degree of activity in CME futures.

## Perpetual swaps

Perpetual swaps are the most frequently traded derivative in crypto markets. It's an everlasting futures-like instrument, utilizing funding rates to secure that perp prices align with spot markets. There are certain intricate nuances to funding rates, for instance, varying funding intervals and varying neutral funding rate thresholds. In normal conditions, Binance and Bybit's funding rate sits at 0.01% every eight hours – meaning longs pay shorts a fee. This structural element in crypto derivatives may lead to a natural structural contango. They may be utilized for cash and carry strategies (albeit in a non-arbitrage fashion, assuming that funding rates will average around neutral terrain).

During roaring markets, funding rates tend to be pushed towards extreme highs due to enormous demand to go long, leading perps to trade at a substantial premium over spot. By assessing funding rates, you may be able to act on market moves and liquidation cascades prior to a liquidation cascade. Similarly, funding rates may sit in extremely negative terrain during bear markets, foreshadowing potential short squeezes.

We monitor open interest in perps to better gauge the risks of soaring volatility and market instability. We monitor open interest in notional value, i.e., in BTC, to have a clear eye on the relative leverage in the market. Currently, the open interest sits at all-time highs in notional value. This is a dangerous trend, and we view it as likely that this will generate a dramatic reaction when BTC breaks out of its prolonged consolidation. Cascading liquidations may occur in both directions, so the open interest is best used as a proxy for how volatile a spike may be.

## Options

We monitor two options charts. The 25-delta skew, which is a metric comparing the implied volatility of a 25-delta put option vs. a 25-delta call option, normalized by at the money implied volatility. Counter-intuitively, when the 25d skew is positive, traders are paying more for puts than calls and may be assessed as cautious/bearish behavior in the options market. The opposite is true when skews are negative. Skews trending in a certain direction may also elaborate on repositioning from options traders and is worth paying attention to. We show the 1-month skew for contracts expiring by the end of the month, and the 6-month skew, for contracts expiring half a year from now to assess differences in positioning across maturities.

The implied volatility illustrates options traders' forward-looking assessment of volatility – or the options pricing. Implied vols in BTC are rarely trailing below 60 for long, and this has previously been a good time to enter straddle strategies.

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